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**PREPARATION FOR FRANCHISING TIMIN GRILLI**

**Thesis**

**CENTRIA UNIVERSITY OF APPLIED SCIENCES**

**Degree Programme in Business Management**

**June 2015**

## ABSTRACT

<b>CENTRIA UNIVERSITY OF APPLIED SCIENCES</b> Kokkola-Pietarsaari	<b>Date</b> June 2015	<b>Author</b> Bui Duy Thanh
<b>Degree programme</b> Degree Program in Business Management		
<b>Name of thesis</b> PREPARATION FOR FRANCHISING TIMIN GRILLI		
<b>Instructor</b> Janne Peltoniemi		<b>Pages</b> 45 + 16
<b>Supervisor</b> Dang Thi Tim		
<p>The thesis was conducted based on the expansion plan of Timin Grilli, which is a food trailer located in market square of Kokkola. After more than fifteen years operating, it needs to be developed in other way; and in this case the business aims to operate under form of franchise company. In addition, the owner also tends to combine fast-food style with Vietnamese-Chinese cuisine that has not been common these days.</p> <p>The aim of this thesis was to provide general and initial preparation for Timin Grilli's franchising activities. The main objective of this preparation was to help the owner to achieve full knowledge about business franchise as well as other essential related-aspects such as marketing analysis and franchise model.</p> <p>In order to complete the mission planned, the author began with theoretical framework that includes all business related-definitions as well as franchise definitions. The first purpose is to define business stages in which Timin Grilli is located, which helps the author to conduct the research efficiently. The theoretical framework also mentioned marketing tools referred in Timin Grilli's marketing analysis. All these tasks were completed based on data that is collected from a quantitative and qualitative research on external and internal participants.</p> <p>As a research the research and analysis has been conducted, the owner can use this knowledge to develop a business plan, marketing plan and also franchise activities. Last but not least, statistics for a typical franchise restaurant is presented to be referred by the potential franchisees in the future.</p>		
<b>Key words</b> Fast food, franchise activities, marketing analysis, restaurant, Vietnamese-Chinese cuisine		

## **ABSTRACT**

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## 1 INTRODUCTION

After the Fall of Saigon in 1975, a first wave of refugees from South Vietnam arrived in the US and other European countries. There were about 3000 refugees that came to Finland. Same as Vietnamese immigrants elsewhere, Vietnamese people in Finland mainly worked as workers in factories, offices, beauty salons and restaurants, etc. Thanks to the variety and distinction of cuisine, Vietnamese people easily took this advantage to open many restaurants or food trailers all over Finland, especially in large cities such as Helsinki, Turku, Tampere, Vaasa, Pietarsaari, Oulu, etc. Fortunately, most of these restaurants work successfully and are expanded widely with every passing day. Nowadays, Vietnamese restaurants are easy to get caught at any city, where Vietnamese people live in. The development looks similar to the way Chinese restaurants have invaded the Western market.

Like other industries, this market is getting saturated today with the entering of other investors and it creates more competitive environment. There are more and more units providing the food service under the form of fast-food, casual dining, family style restaurant, etc. Moreover, nowadays, there are too many people immigrating to Finland from Vietnam and they choose to work in this field as a job for living. The stated problem here is how these ongoing restaurants can attract the new customers and keep the perennial customers coming back. In order to solve the problem, the business is in need of making a change in the structure, strategy and whole system. There are plenty of possible concepts that can be applied for the long-term strategy, but franchising most likely seems to be the best one.

Timin Grilli is food trailer located at the central square of Kokkola and it has been owned and run by Dang Thi Tim, also known as Timi, for more than fifteen years. Timin Grilli operates under the same form as other Asian food trailers in Finland. The author had worked there for few months before recognizing the problem this business is facing. Then the author suggested Timi to make a systematic change for her business and the author will be a key person of this preparation.

As mentioned above that the market is now getting saturated and more restaurants opened nearby put a pressure on the operation. The food service market in Kokkola is the more

competitive than ever requiring that the owner must prepare for a change in near future. After a long research process, the owner realizes that it is the moment to follow up the trend in order to consolidate the existing business as well as continue to expand the scale. The owner is thinking about a refinement of business management from small business to professional one that contains all the elements and reasonable structure like some other big companies. The owner will need more people working for more functions and the main goal is to expand the sales territory. Timi has not spoken out her particular goal, but the existing condition and resources allows her to make a completely change based on her set out strategy. Everybody agrees that this is the right time to act in order not to be left behind by competitors. The toughest impediment at the moment is finding the way to make a good preparation and think carefully about a perfect plan for a long future, while the time is limited.

The franchise concept is currently the most common trend in business expansion especially in food or retailing service. However, it is rarely used or not used in large scale for Asian cuisine, which is more suitable for casual or fast-casual restaurant than fast food restaurant. Even in a huge American market, the number of Asian restaurants serving fast food and developing franchise network is not remarkable. Therefore, the decision to be the pioneer in this aspect is an ambitious step of Timin Grilli and it contains unpredictable risks that cannot be prepared in advance. Nonetheless, franchise concept always go with number of advantages over other business forms.

The main purpose of this study is to help Timi to make a preparation in order to expand Timin Grilli by franchise model. In this study, the author will define franchise concept, locate business's position and analyze the way the plan should be researched and develop so that it can achieve success in the future. The author will use marketing tool, discuss deeply about franchise-related matters based on information and statistics collected from the practical research conducted by the author and other participants. The general outcome of this thesis will be referred by the manager of Timin Grilli to complete a strategic planning for development.

## **2 THEORETICAL FRAMEWORK**

In this theoretical framework section, the author introduces some definitions of related terms such as franchise, business life cycle, business's general elements, SWOT analysis and marketing mix. These tools are used to support Timin Grilli's business in the next section.

### **2.1 Brief introduction of Timin Grilli**

Timin Grilli is food trailer located at the central square of Kokkola and it has been owned and run by a Dang Thi Tim for more than fifteen years. They serve a combined cuisine of Vietnamese and Chinese food at reasonably cheap prices as it is small business. The business has operated successfully for years and the turnover reported increasing each year because the food is really amazing. Moreover, center square seems to be an ideal location where many people pass through every day and it is surrounded by many offices. The owner employs three persons to maintain the business that one person works as a cashier, the second person works as a cook and the last one is responsible for buying raw materials. All the holiday or festival events are hold at this location extract thousands people. From beginning of May to the end of September, the trailer is opened every day in week except Sunday including Friday and Saturday's night because people usually go out for bar or club at that time. In the rest of the year, they just open it on Friday and Saturday night and some big holidays due to cold weather. That is an adverse side of this kind of business as they cannot operate all days in year because not many customers willing to go outside for street food in cold weather and that is an advantage of restaurant over food trailer. All the stalls strictly comply with the criterion of this business is serving good Asian food quickly and the customers do not need to wait more than five minutes for a good meal after ordering.

## 2.2 Definitions

Franchise: An authorization granted by a government or company to an individual or group enabling them to carry out specified commercial activities, for example acting as an agent for a company's products. (Oxford dictionary)

Fast food: Easily prepared processed food served in snack bars and restaurants as a quick meal or to be taken away. (Oxford dictionary)

Franchising is a method of doing business by which the franchisee is granted the right to engage in the business of offering, selling or distributing goods or services under a marketing plan or system prescribed in substantial part by a franchisor and which is substantially associated with the franchisor's trademark, name, logo or advertising. (The Federal Trade Commission)

A franchise concept is basically defined by three elements. The franchisor permits the franchisee to use company's name and Company's system of operation or marketing program. In return, franchisor receives payment of fee from franchisee, either initially or on an on-going basis (Boroian 2008).

A business is not a franchise if one of three elements missing and there is a disparity between a franchise and selling licenses. In fact, every franchise involves a license, but not every licensor is a franchisor. For example, if a clothing company wants to print Starbucks logo on their shirt, they need to ask Starbucks for license them. In this case, they have to pay initial fee and a certain percentage of price for each shirt sold. The licensee has not bought a franchise. When it does sell a franchise, Starbucks gives the franchisee the use of its name, its private drink's formula, the right to open stores and operate in an exclusive territory, a marketing strategy, assistance in developing the market and other benefits – in short a package that includes all three elements listed above. Besides that licensed are technologies, such as software programs, and recipes for special food products that will be used in the licensee's business; provide that the business does not bear the licensor's name. There are different types of franchise concept based on variety of business formats (Boroian 2008).

There are three basic types of franchise; they are trade name franchise, product distribution franchise and pure franchise according to Thomas W. Zimmerer, Norman M. Scarborough, Doug Wilson (2007). Trade name franchise or also known as authorized franchised system

is a concept that the franchiser sells the franchisee a right that they can use franchisers' trade name and do not need to distribute any particular products exclusively under their name. This kind of franchise concept can be found at Dunkin Donuts or Wendy's, True Value Hardware or Western Auto. Royal Dutch Shell has a chain of convenience stores under the name Shell where they combine gas station and convenience store. This kind of business structure contains a detailed plan of training the franchising how to operate the business from construction of the building, arrangement of products to finding locations (Scarborough 2007). A Product distribution franchise, or also known as franchise confederations, the franchisee is licensed to sell manufacturers' specific products with its brand name, trademark and it utilizes the selective, limited distribution network of the parent company. In a product distribution franchise, the franchisee must distribute exclusively the products from the supplier or the franchisor, and they are not obviously allowed to sell several products or competing ones from other suppliers. This system is commonly used to market automobiles (Chevrolet, Ford, and Chrysler) gasoline products (Exxon, BP), soft drinks (Pepsi Cola, Coca-Cola), cosmetics, and other products (Zimmerer 2007). These two kinds of franchise above allow franchisees to take advantage of parent company's reputation, trademark as well as identity; and in some situations, product line of the franchisers is concentrated on by the franchisees without requirement of exclusiveness.

A Pure (or comprehensive or business format) franchise is different from other types that the franchisee is provided with a complete business format, including a license covering trade name, products, services, the physical plant, the methods of operation, a marketing strategy plan, a quality control process, a two-day communications system, and the necessary business services, etc. In other words, the franchisee is able to use all the factors of a fully integrated operation. A Pure franchise is the most common and is usually applied for fast-food restaurants, lodging establishment, business service firms, car rental agencies, educational institutions (Zimmerer 2007).

Whatever franchise strategy is chosen, it is the cooperation between two sides, in which the franchisor needs to create value for every member involved. Moreover, the franchisor is responsible for creating a network of franchises that produces enough revenue to return a profit on the licensing of its name, technology, system and ongoing assistance. On the other side, the franchisees must also benefit through profits and through the achievement of business ownership. In spite of using the franchisor's name and business system, the



franchisee is still an independent owner. The consumers are the one, who benefit the most from well-managed business providing desirable, fairly-priced goods or services (Boroian 2008).

Donald D. Boroian (2008) uses one of the bywords of franchising is “consistency.” The very term “franchising” has come to be regarded as synonymous with consistency. Franchises are almost always used by middle of the road businesses that seek to attract the broadest possible market. He gives some models like Holiday Inns, which are not usually the best hotels in every town, although they may be in some places. They are different from Four Seasons or Ritz Carltons, which seek high profile market. In other case, McDonald’s is not a fine dining restaurant, although most of the people on earth know its name. Great Clips is probably not where to spend money on by celebrities. But all of these businesses have one thing in common, consistency. Donald gives an example that if a family drives to strange town looking for a place to eat; they are more likely to choose McDonald’s instead of Don’s Diner. Similarly, they will go to Comfort Inn, if they see Comfort Inn and Don’s Motel. In general, franchising means consistency, systematic business, synchronization and mass icon.

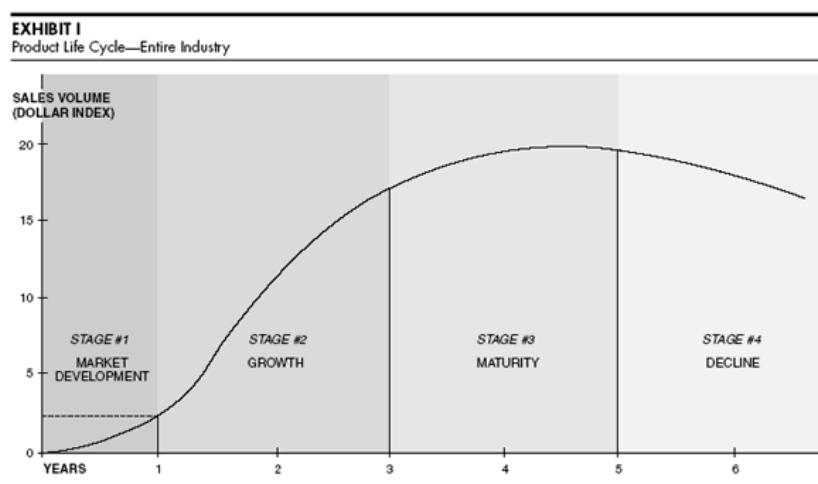
Since Timin Grilli is a food service business, so its new restaurant must run on the basic of its concept and structure such as Vietnamese-Chinese theme cuisine, fast order, etc. The decision on choosing which kind of business format franchise is extremely important for remaining the business’s criteria during expansion. That format must be the one that shows the importance of the actual business concept and highlights the relationship between the franchisor and the franchisee.

### **2.3 Definition of a business**

This section is used to make clear the general form of a business or product throughout its life cycle and general elements. With product or business life cycle, the author is able to locate exactly at where Timin Grilli is. In addition, general elements are brief sub-definitions of a business at some major points.

### 2.3.1 The business life cycle

According to Professor Theodore Levitt, in *Exploit the Product Life Cycle* (1965) the business life cycle is divided into four stages. The first stage is called Development Stage, when a new product is brought to the market and it has to face with unknowns and uncertainties and risks. The second stage is Growth Stage, when its sales curve describes the characteristic of a growing business with gradual rise while the market is developing. The next stage is Maturity Stage; when the very first signs appear and it broadcasts a saturation of the market. The last stage in this model is called Decline Stage that happens when market maturity tapers off and consequently comes to an end.



GRAPH 1. Product Life Cycle – Entire Industry (adapted from Harvard Business Review 1965)

#### Development Stage

Bringing a new product to market is fraught with unknowns, uncertainties, and frequently unknowable risks. The initial penetration of the product will create the market's demand. The characteristics of new product (product's complexity, degree of newness, consumer-needs satisfaction, and the presence of competitive substitutes of one form or another) define how long this (Levitt 1965).

### **Growth Stage**

A gradual rise in new product's sales curve during the market development stage is the usual characteristic of a successful one. At the beginning of this stage, the sales are stimulated by consumer demand and they increase. However, because of the attraction of the market, potential competitors are jumping into the market after observing the development. The first competitors coming with 'used apple policy', which means the market is dominated by more than one. In this case, there are few ones copying the originator's product; whereas the others start to improve function and design. At this moment, product and brand differentiation begin to develop.

The originator at this stage is no longer seeking ways of getting consumers to try the product, but making them prefer its brand. As the originator is not a sole producer, he has to approach the consumer with different marketing strategies and methods. In other words, the policy now must be placed under objective point of view involving competitor factors. Price level and channel of distribution are two main sectors (Levitt 1965).

### **Maturity Stage**

This new stage is the market maturity stage, which is evidence of market saturation. In this stage, the product is used widely by most of consumers. It also means that sales movement changes based on the change of population. There is no need to fill more distribution pipelines and price becomes the most intense competition. The company attempts to differentiate its product, services, promotions and other requirements. Under this circumstance, the producer must concentrate on holding distribution outlets, retaining shelf space and secure even more intensive distribution (Levitt 1965).

### **Decline Stage**

Market decline is the last stage of the cycle and it comes after the stage 3. In these cases, the industry is always transformed. Few companies are able to enhance the competitive force. As demand declines, the overcapacity that was already apparent during the period of maturity now becomes endemic. There are few competitors left maintain the production because most of producers are jumping out of the market. The product is not preferred anymore while prices and margins get lower (Levitt 1965).

In case of Timin Grilli, this business is struggling with maturity stage as there is an appearance of market saturation. The stated issue for the moment is to find a solution helping this business remain its growth period as long as possible. It also means that they need to avoid falling into the Decline Stage – the end of business. Since Sir Theodore's study applies to either business life or product life; therefore, Timin Grilli can be considered as a product. Actually they do not have any iconic food or menu like other successful fast-food chain but its brand name. A traditional problem of any small business like this is that everybody within a company only focused on the quality of products without considering the change of market as well as growth direction. The change of market here is the penetration of other competitors or new entrepreneurs.

### **2.3.2 Business's general elements**

These elements below are things need to be planned from the beginning in order to make a clear overview how the business looks like at some major aspects. The other reason is to have an overview of the business and make a right direction in the future. This action helps to highlight important features of business.

Business idea: define what the product is served, the main idea of business, the target customer aimed for and the way the business running.

Goals: set a goal, which must be accomplished in a future. It should be divided into small minor missions or tasks for certain periods.

Need of Resources: write down what resources need for the business, including initial resources (cost of capital investment, premise, equipment, etc.) and variable cost (staffs' salaries, raw materials, etc.)

Product: define and classify what kinds of product or service would be served.

Marketing: it is required a detailed marketing plan that define exactly every element of the business relating to marketing. Some most important parts of a good marketing plan for restaurant business are target customers, sales strategy, customer service, market research, etc.

**Economy Administration:** every aspect of business which relating to administrative department. This element requires being reasonable and accurate.

**Education Communication:** training program is an essential long-term solution for any company. In small business, it is often a small communication between staffs.

**Management:** how the business is organized and what role each person plays during the operation.

## **2.4 To build a franchise**

When opening additional locations, the advantage of franchising is minimizing the overhead costs to develop the business. By licensing the third party to use proven business model, brand, standardized operational strategies and ongoing support the franchisor contrarily receives franchise fees, royalty fees, share of profit, etc.

Here is step-by-step process of how to franchising a small business.

### **Step 1**

Determine whether a business should be franchised or not by conducting an objective business analysis. Three main elements must be considered are uniqueness, competitive advantage and business's attraction. Moreover, there are other involved important factors including profitability, ability of transmission and scale of target market.

### **Step 2**

It is required to make a synchronized detailed plan. The plan should cover as many operational aspects as possible through the profitable completion of the first year or two of franchise operations.

### **Step 3**

Make a preparation for a detailed marketing and branding strategy manual. The importance of this guide is to help the franchise business operate systematically, so it is able to attract more customers. In addition, it makes all franchise locations to become equal. In

franchising business, taking responsibility and utilizing the company's brand and image are the top missions.

#### Step 4

Get support and consultancy from a franchise attorney or a professional familiar with the franchising of business entities to prepare franchise contracts, leasing and royalty agreements.

#### Step 5

Deal with registration business with local office in respect of tax liability because it may be changed by franchising activities. It needs to make sure if it is applicable.

#### Step 6

In this step, the contract requires a comprehensive business prospectus, which includes the business concept, competitive strategy, geographic/location strategy, marketing strategy (marketing materials), franchise and royalty fee schedules. This prospectus helps to sell the franchise concept to potential franchisees.

#### Step 7

In most cases of successful franchise, they usually organize a service and support team to help to guide franchisees. Tasks of this team are to answer franchisee concerns and ensure quality control. Your service and support team can be responsible for answering franchisee concerns and ensuring quality control. These activities can step-by-step build a service standard and improve high internal quality.

#### Step 8

When all seven steps above completed, it is the time for introduce and sell franchise opportunity. It does not mean that the franchisor can choose the franchisee randomly; but it is important to screen carefully.

## 2.5. Marketing analysis

### 2.5.1 SWOT

SWOT is an acronym in which its four letters stand for: Strengths, Weaknesses, Opportunities and Threats. A SWOT analysis involves internal and external factors. Strengths and Weaknesses are identified and analyzed within a project, organization. Whereas external factors including Opportunities and Threats, which information gathered on the external environment, are revealed. The information of a SWOT session is gathered through observations and analysis them from participants. All these activities satisfy the purpose of SWOT analysis, which is used to develop a detailed plan. The missions include considering many different internal and external factors, and maximize the potential of the strengths and opportunities as well as minimize the impact of the weaknesses and threats (Schall 2011).



GRAPH 2. SWOT analysis model (adapted from Methodfinder 2011)

Strengths are internal assets which can include such things as:

- know-how
- motivation
- technical skills
- business links

Strengths are the advantages of the organization that help to exploit potentials and opportunities as well as a solution for incoming threats and potential difficulties (Schall 2011).

Weaknesses is opposite of strengths and it is considered as disadvantages of the organization. They are an internal condition that damage organization's competitive positions in the consultancy industry as well as become a barrier against the effective exploitation of the existing or future market opportunities. Weaknesses can include:

- limited know-how
- insufficient skills and techniques
- poor information base about opportunities
- differing management and planning "culture"
- limited experience (Schall 2011.)

Opportunities are environments, where competitive advantage is taken by one over the others. In order to be able to adapt to these environments, the participants must learn to find and exploit for personal and organizational benefits. Despite the opportunities are external factors, the consultants must utilized the internal characteristics to discover and make use of these opportunities. Opportunities include:

- External circumstances are dependent upon a given opportunity as well as they can be partly influenced by the consultant. The consultant basically favors a development organization requesting the consultants services
- The opportunities, which are provided for consultants, will be affected by trends, attitudes and approaches (Schall 2011.)

Threats are factors which can be seen either from the negative side or a challenge posed by an unfavorable situation in the business environment. They require some form of purposeful action from the consultants and they include:

- External circumstances which will hinder the consultants' competence
- Changing organizations' procedures or approaches that are unfamiliar with consultants budget reductions by the consultancy companies and organizations (Schall 2011.)



## 2.5.2 Marketing Mix

According to Philip Kotler, marketing mix is a combination of many marketing tools that the organization uses to achieve its marketing goals in the target market. These tools were classified into four broad groups by McCarthy and he named them four Ps of marketing including: product, price, place, and promotion. The leader makes the marketing-mix decisions to influence both trade channels and final customers. In short run, the firm typically can adjust its price, sales-force size, and advertising expenditures. However, in long run, only new products can be developed as well as its distribution channels are modified. For that reason, the number of marketing-mix decision variables suggested is more than period-to-period marketing-mix changes made by the firm in the short run (Kotler 2002).



GRAPH 3. The Four P Components of the Marketing Mix (adapted from Marketing Management 2002, 10)

A product is seen as an item, which is either tangible good or intangible service, satisfies what a consumer demands. Tangible products are items having an independent physical existence such as motor car and disposable razor as being mass-produced products.

Similarly, a computer operating system seems to be mass-produced service. Every product is subject to a life-cycle including a development phase before coming to a growth phase, which is followed by a maturity phase and finally an eventual period of decline as sales fall (as same as the research of Professor Theodore Levitt in Exploit the Product Life Cycle article in 1965). Marketers must carefully research on duration of the life cycle of the product and pay attention on different challenges arising when the product. Product mix must be also considered and it can be expanded by either increasing a certain product line's depth or increasing the number of product lines. Marketers should find way to position the product, exploit the brand, exploit the company's resources and configure the product mix in order to make each product complements the other. Product development strategies are must be also taken into account (Needham 1996).

Price is the amount that a customer is willing to pay for the product. The price plays a very important role in determining profit and hence, survival of the company. The way that price is set or adjusted can influence the marketing strategy, it is usually able to affect the demand and sales depending on the flexibility of the product. Like other elements of the marketing mix, the price should be set appropriately, so that it can complements the others. Considering the customer perceived value for the product is extremely important in price strategies, which includes three basic options: market skimming pricing, market penetration pricing and neutral pricing. Moreover, the 'reference value' (where the consumer refers to the prices of competing products) and the 'differential value' (the consumer's view of this product's attributes versus the attributes of other products) must be taken into account (Needham 1996).

Promotion is a tool including all the methods of communication that a marketer may use to introduce the product to different related parties. Advertising, public relations, sales organization and sales promotion are four main elements of promotion. Advertising covers any communication that the marketers must pay for like fees from cinema commercials, radio and Internet advertisements through print media and billboards. Different from advertising, in public relations, the communication is not directly paid for and it often includes press releases, sponsorship deals, exhibitions, conferences, seminars or trade fairs and events. Word-of-mouth from past to present is any apparently informal communication about the product by ordinary individuals, satisfied customers or people specifically engaged to create word of mouth momentum. It is also a useful method to promote the

product. Sales staff often plays an important role in word of mouth and public relations (Needham 1996).

Place is a term that cover any form of product distribution to customer or mediate parties. The purpose is to find a place that is convenient for product meets consumers as well as satisfy the requirement of profitability. There are some strategies a marketer can use to complement the other aspects of the marketing mix such as intensive distribution, selective distribution, exclusive distribution and franchising (Needham 1996).

### **3 METHOD**

In this section, the author introduces the method that is used to conduct the research. This method aims to exploit the practical information from individual involved.

#### **3.1 Data gathering**

In order to proving the theoretical aspect of this study, the data of Timin Grilli and its operation needs to be collected. All the information or statistic of the business will base on two sources of data including primary data and secondary data. These both types of data gathering are also realistically applied for marketing research, which is quite similar to the purpose of the study. In other words, in this research, we have to collect either internal or external information about Timin Grilli, and analyze carefully before evaluating the whole business.

Primary data can be considered as the internal data collection of a company or organization in this case. The most suitable method is interviewing staff and other regarding people. The reason why the author decides to choose this method is to gain a deep insight towards realistic knowledge of staff and manager about their company. Primary data can also be related to response of market for the business, because the management really needs objective opinion from third party. In reality, primary data collecting often costs high fee; however, Timin Grilli is a small business and internal and external-direct interviews are enough. Among the results, the answers from employees are the most important because they interact directly with the business and customers.

Secondary data in theoretical aspect is gathering the market-researching data from external sources such as government, research organization, commercial association, etc. These kinds of research are usually publically announced on the internet or paper. The related fields include all theoretical issues from entrepreneurial period to franchise-development period. In order to increase the level of trustworthiness, the research is required to combine both academic data and practical data from business's operation. The practical data must

contain the academic value similar to secondary data. In both primary and secondary data collecting, it is important to consider the financial issue of the business.

### **3.2 Interviews**

As it was mentioned in section 4.2, the author would make an interview with all the employees and manager – Timi. The whole interview will be divided into two parts: questionnaire filling out and open interview with each person. The main goal of this interview is to achieve an overall view, both objective and subjective opinion of all people involving; and use that information as primary data source. The characteristic bases on both qualitative research and quantitative research. The expected outcome must contain realistic facts, personal evaluation towards business.

The questionnaires given to all the employees concerning the activities of each person in business, production process, franchising suitability and business life cycle, etc. The interviewees have much time to think and discuss with other ones if they want before filling out the questionnaires. It is different from open interview, where people are interviewed face to face and discuss deeper about anything.

Open interviews allow the interviewers and interviewees time to discuss deeper into the matters they care. It seems to be somehow more detailed than questionnaire and let the interviewer get more personal opinion about the matters. During the interview, people interact with each other, so they are able to share what cannot be written down on paper. The only backward is that the interviewees may have less time to think about the answers.

### **3.3 Qualitative research**

In section 4.3, the interview was said to base on both qualitative research and quantitative research, so there must be an approach. Due to the characteristic of the interview, the author find out that qualitative research is required to get to know the in-depth thought of each person. The in-depth thought in this case includes subjective opinion towards business

such as experience, environment, atmosphere, knowledge, etc. and objective evaluation like business development, prospect, improving ability, etc.

For the employees, they are asked about working experience, business environment, salary and welfare, knowledge about business's criteria, operational process, etc. Besides that, the objective evaluation should be about customers' reaction, operating difficulty, quality of the product. On the owner's side, she shows her view from top of the business, her opinion on problems, human resource, financial and management issues. By combining the information from the side of employees and the side of manager, the author can sketch out the whole picture of the business.

Qualitative method certainly contains its own backwards. The interviewees may misunderstand the purpose of the questions and turn to make unexpected outcomes. This is a less advantage of this method to quantitative method, in which questions often relate to clear statistic or number. Fortunately, everybody working in Timin Grilli is Vietnamese and the questionnaire is also in Vietnamese, so they can communicate easily to each other and understand it. However, they need an explanation of the reason, purpose, expected outcome of the research, so they are not confused. There should be some examples explaining how the research carried out. Moreover, the answer must be given rationally, not negligent or from personal unpleasantness, that may affect negatively the outcome.

### **3.4 Quantitative research**

Besides the qualitative method, in order to collect statistic of operational status, we also carry out the quantitative research. In this method, we mainly focus on financial statistic, sales data, efficiency, cost and profit. The quantitative research is totally expressed under form of questionnaire and the interviewees asked to fill out. We use the outcomes to analyze the status of business, so we can make the right decision on what we should to develop the business. These data shows us the information of market, the efficiency of management as well as use of resources. All these things are very important to transform a small private business to franchise because it is demanded a professional process, which includes clear and profitable statistic. We can also use the result to get to know if this business is suitable for franchise or it is better to be a normal restaurant.

## **4 FRANCHISE PREPARATION**

### **4.1 Marketing analysis**

Timin Grilli is food trailer located at the central square of Kokkola and it serves a combined cuisine of Vietnamese and Chinese food at reasonably cheap prices as it is small business. Like other food-trailer business, they aim to serve in fast-food style with two forms: eat-in or takeaway. The trailer open throughout the year; however, its main turnover comes from summertime. In other seasons, because of cold weather, they just open at weekend or on important events. The business has run successfully from the very first day opening and existed for more than fifteen years today. Timin Grilli has gained many customers during its long-time operation and the turnover each year is significant. The specific number of financial status cannot be published because it is business secret.

When Timin Grilli was opened fifteen years ago, Timin did not make any detailed business plan or marketing strategy. She just wanted to open the trailer and served as many customers as possible. For a long-term development, it is a big mistake that most of new entrepreneurs make. After years running, she realizes that there is a variance in groups of customer, which contain their own characteristics. Most of the knowledge about this difference is based on her own experience. The mission here is to write down these experiences onto paper and make a marketing strategy. We need to define what the target group of customer is, and make a plan to serve each kind of customer in order to make it as much profitable as possible. After interviewing the owner, we have a target group of customer is from 18 to 35, which accounts for 65 percent of the annual customers. These customers mostly come to the trailer on weekend for club or bar and in important festival events of the year. One main factor that determines the success of Timin Grilli is perfect location. It is located in the market square, where there are four big night clubs being around and that is an advantage as they can help to attract more young customers. That is the reason why Timin Grilli is noticed by new customers even though they do not have any advertising strategy. The interesting fact is that some customers use social network or websites such as [kauppatori.kpk.fi](http://kauppatori.kpk.fi) or facebook in order to recommend their friend coming to Timin Grilli. It is very convenient for people who come from bars, night clubs and want

to find a place for food at midnight. At midnight, there are not many fine-dining restaurants opened, so it is an ideal chance for fast food restaurants. On summer, except for the important festival events, the local government organizes the so-called ‘iltatori’ on every Wednesday afternoon for flea market. This day is an extremely good day that there are many people gathering in the market square.

In this section, the author uses the results collected from research conducted with all Timin Grilli’s staffs as well as owner (see APPENDICES) to discuss and analysis each related-issue. The ideas in this section based on both subjective and objective point of view.

#### 4.1.1 SWOT

The SWOT analysis was conducted based on the results, which are collected from the internal research. By answering given questionnaire, Timi sketched out the picture of her business involving four dimensions: Strengths, Weaknesses, Opportunities and Threats.

TABLE 1. Timin Grilli SWOT Analysis

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>. More than fifteen year experience</li> <li>. Skilled employees</li> <li>. Large number of perennial customer</li> <li>. Great reputation in town</li> <li>. Fast and good service</li> <li>. Unique menu compared to the others</li> <li>. Being able to open at weekend midnight</li> <li>. Most of customers favor Timin Grilli opening restaurant chain</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>. Unprofessional management</li> <li>. Lack of long-term employees</li> <li>. Lack of initial investment</li> <li>. No experience in restaurant management skills</li> <li>. No experience in professional financial management</li> <li>. Have no native employees (some employees cannot speak neither Finnish nor Swedish)</li> <li>. Brand is not well-known enough for selling franchise</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>. There are no chains of restaurant serving Vietnamese-Chinese cuisine in Finland.</li> <li>. Fast-food market is getting saturated because there are too many Western-theme restaurant</li> <li>. Asian cuisine is always attractive to Finnish people</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>. Lack of raw-material supplier</li> <li>. Many competitors are penetrating the market</li> <li>. Asian food may be not suitable for fast-serving</li> <li>. Raw-material expenditure may be too high</li> <li>. Food preparation requires too long process</li> <li>. Profit margin may be low</li> </ul>



Timi has made it clear that she aimed to switch Timin Grilli from a food-trailer business to a restaurant business, which operates as franchise. From the result of research, there are 70% of the customers think this is an excellent step of Timi; and it motivates her to make it happen. Besides that, after long time working in this field, Timi has her own experience in food service including management skill, customer relationship management although it is just a small street business. She knows how to satisfy customers and make good relationships with them. In this sphere, Timin Grilli seems to be a local business in a small town where everybody knows everybody. She said that it is great as she can remember most of her customers. For that reason, Timin Grilli now has a great reputation in Kokkola and it is an advantage for business expansion because there is no reason for the customers to stop supporting. Moreover, what makes Timin Grilli different from the other nearby business is unique menu, which is combination of Vietnamese and Chinese cuisine as well as being well-prepared. In the survey, there are 88% of the customers are satisfied with the menu, whereas there are 4% unsatisfied and 8% of them suggested to add more dishes to the list. Finally, one of the most essential factors, which determine its success, is the opening time. Timin Grilli's opening time is flexible as it also includes weekend midnight, when customers' demand is very high. In order to take this advantage, Timi aims to keep the same form of opening time for Timin Grilli when it becomes a restaurant.

Fortunately, according to research, there are fewer weaknesses than strengths within the business. However, it makes no sense because these weaknesses are not less vital. Despite Timi has her own experience in management, she has to admit that her experience is not on professional level. She knows that it requires more from her to become a franchisor or a restaurant's owner. She is not only an unprofessional one but her employees are also, although they have good skills. Like most of the other small business, financial skills are also important factors that Timin Grilli lacks. In small business, especially restaurant, the owners often work as a manager as well as an accountant. They do not have a specific financial report and they calculate their profit only based on sales and cost. In order to manage a big business it requires having an expert that he can analysis statistic of the business operation. Another weakness of Timin Grilli is its reputation in nearby region, where there are only 10% of the interviewees know the brand. This weak spot is a barrier against the expansion of Timin Grilli outside Kokkola territory. Timi also get trouble with her employees as most of them are seasonal employees like students, who work part-time. Moreover, all of them are not Finnish and are not able to speak neither Finnish nor

Swedish fluently. If Timi wants to stabilize her business, she should hire more full-time worker and diversify her employees in long term. The last weakness is lack of initial investment, which is usually high in sole proprietorship restaurant. Timi does not worry about the investment for opening the restaurant, but the occasional cost is unpredictable for her.

There are always opportunities in field; and to achieve the success, the leader must be able to recognize and take advantage of them. In case of Timin Grilli, there are not many opportunities; however, Timi has found out the advantages ahead. Her business is more likely to survive in today market because it is unique compared to the other competitors. It is all about the difference in its products. Asian cuisine from past to present is always attractive to most of Western people; and with the combination of two famous cuisines of Vietnam and China, it becomes even better. In Asian cuisine, food cooking is pickier than anywhere else along with too many Western-style restaurants that make this business always has its position. The combination of Chinese and Vietnamese foods is not new in other bigger countries like America, Germany or France; however, Timin Grilli is a true pioneer. After long time giving free samples to get feedbacks, Timin Grilli receives positive reviews from target market outside Kokkola.

On the contrary to opportunities, there is always the existence of unexpected threats ahead for Timin Grilli. Finland is a Nordic country, so it is difficult for suppliers to import Asian material used for cooking Asian foods including many kinds of spices and some ingredients, which are only made in Asia. If the suppliers are able to import it into Finland, the price will be higher than in other markets. Inspire of the costly raw-material, Timi has to order it anyway because it is impossible to cook an Asian dish without Asian spices. Another threat is about the duration making Asian food, which is often longer than other kinds of food, may not satisfy the fast-serving criterion. Moreover, the process for preparation is even longer along with costly raw-material push the profit margin lower. In Finland, there are not many Asian food suppliers so that Timi need to start to find ones, who can satisfy the demand in long run. Another significant potential threat is the penetration of newcomers, who recognize the potential, may make the market even more competitive.

After the SWOT analysis, we received the detailed information of four factors; and the tasks must be done next is to find out the link between these factors. It means that Timi

must find the way to utilize the strengths, strengthen the weaknesses, take advantage of opportunities and strategize to handle the unexpected threats. Aside from that, it is possible for Timi to apply the conversion strategies, in which weaknesses and threats are improved and turned to strengths and opportunities. By using conversion strategies, all four factors will become the business's advantages.

In order to make these strengths of the business even stronger, Timi decided to focus on three elements including product, service and customer relationship. With the advantages of food and service, Timi now can even make it better by diversify the products. The menu of Timin Grilli should be refreshed that keep the best sellers, replace the worst sellers and add totally new choices. This action may bring out the brand new image of Timin Grilli. She needs to consider carefully in case of changing dishes, because some groups of customers may be familiar with the old ones. If she makes a change, she has to make sure that it will be better. For the services, fast-serving is an iconic feature of Timin Grilli, so it should be made even faster by improving the duration of order-delivery process with more employees. The important element is the cooperation smoothly between the cashiers and chefs. In respect of customer relationship, Timi has good relationship with most of the perennial customers, who using Timin Grilli's products for a long time. They need to be treated better with discount programs and membership discount. There are many useful tactics to use under this circumstance; for example, price reduction for a certain value of invoice or price reduction in some specific events. Timin Grilli has not applied these kinds of programs before and this is the chance to make a change.

For Timin Grilli's weaknesses, in order to remove them, Timi must try her best to improve her own management and financial skills by attending some entrepreneurship courses. Unless she is able complete it, she should cooperate with other experts or people, who have experience in these fields. The most vital thing in the management is that Timi must hire a professional accountant, who is responsible for financial issues. Moreover, for the purpose of expansion, a promotion plan needs to be made for other market, because Timin Grilli is not a well-known brand in these areas. This issue will be discussed in the Promotion section below. The last problem is about the diversity of employees, who are all Vietnamese at the moment. In order to sell products to Finnish, she should have more native workers in the team. Internal communication will be difficult at the beginning, but the situation will get better. By using more native workers, customer services will be improved significantly, especially in other areas.

With three main opportunities listed above, Timi can continue to take advantages by differentiating the products, continuing to position the brand. Despite there will be more competitor jumping in the market, Timin Grilli must be frequently refreshed. In other words, Timin Grilli must be always different from the others.

The last mission to complete to take advantages of SWOT analysis is turning threats to opportunities. The first step is to resolve the problem with raw-material supplying. In case Timin cannot find any suppliers offering suitable prices, there is only one way that she herself must become a supplier. With her relationship with many exporters in Vietnam, it is not a big challenge for her to build a supplying chain. By this method, she is able to reduce expenditure of raw-material as well as shorten the supplying stage as she does not need a mediate supplier. The second step is combining Asian food and fast service. It requires Timi to restructure the food preparation process by using more staffs and having some stages done beforehand. In cooking food, there are few stages that can be prepared before opening to serve. Unfortunately, this is a business secret, which cannot be disclosure. However, the profit margin will not be improved remarkably, so the only solution is to increase the price to meet the profit. This action needs to be considered carefully, so that the price is set reasonably. The last issue is about the penetration of other competitors, who will make the market more competitive. On my point of view, this is a challenge but it is not a big deal, at least in short term. The reason is Timin Grilli is a pioneer, as known as the leader; therefore, it always has its advantages over the competitors.

#### **4.1.2 Marketing Mix**

By analyzing marketing mix, Timi can shape the structure of the business in four groups: Production, Price, Promotion and Place. In order to fit the organization into the target market, the manager has to make a detailed plan for each group based on the results of market research. With the results collected from the questionnaires, the author has made a completed marketing mix strategy.

#### **Product**

In the product section, we focus on three essential elements of Timin Grilli including menu, quality and service; which are also three weapons we decided to elaborate the most.

The reason we chose them is because there are no other things more important for a restaurant business than food list, quality of food and accompanying service.

Menu of Timin Grilli symbolizes product variety of the Marketing Mix, so it is a requirement for product diversification. As mentioned in the SWOT analysis, Timin Grilli must refresh its list of products by strengthening the mainstream products and replacing the unfavorable products. In case of Timin Grilli, the list of mainstream products includes spring roll, chicken balls, chicken curry portion, beef stir-fry portion, pan-fried chicken and pork. These are cooked with a variety of vegetables such as carrot, broccoli, pineapple, onion, beans, tofu, celery, etc. together with rice, fried rice or noodle. There are also many kinds of spices added into the dish depending on customer's order. Moreover, Timin Grilli will offer vegetarian spring roll and two dishes for vegetarians instead of one choice as usual. Despite vegetarian dishes are less popular than the ordinary dishes, Timi still wants them on the list because she wants to satisfy every kind of customers. The flexibility is showed by allowing the customers to add or remove any ingredient they want out of their orders. They can even replace their unfavorable ingredients by others. In order to make it possible, Timi prints a list of ingredients for each kind of dish and numbers them in order on the menu, so that the customers can easily know what their foods are made of. This is a brilliant tactic that many big companies are using. On the opposite side of good dishes, there are few choices that the customers do not likely favor such as spicy dishes. Most of Finnish people do not prefer kinds of food that are too spicy like Asian people. They think that they are too hot for them, so Timi decided to use other alternative materials to reduce the level of spicy taste. Besides that, Timi also offer some kinds of drink such as soft drinks, milk, and fruit juice. When Timin Grilli operates as a food trailer, they also serve coffee in the morning; however, she wants to serve both coffee and tea anytime of the day when Timin Grilli becomes a restaurant. There will be more extra-foods like pastry and foods for children, which are totally healthy. Especially, Timi does not want to serve French fries, which are favored by customers. The reason is that it is too unhealthy and there are too many places sell it.

Service is also an essential part of the business. Some companies only focus on their products, whereas they do not develop a good service to sell them. This is a false action that customers do not think that they should buy these products although they are very good. In case of Timin Grilli, service will be developed not less than products, especially sales service. Timi will offer three available services including eat-in, takeaway and home

delivery. At present, Timin Grilli has not developed the home-delivery form, but when the restaurant established, it will be the first priority. In some restaurant, takeaway usually costs the customers extra-fee compared to eat-in, but Timi prefer to keep the same level of price for these two forms. In addition, there will be free home delivery any customer within 5 kilometers and three-euro charge for an extra-kilometer. Timi wants to apply these three forms because the expected seating capacity of her restaurant is about 40 covers; and in her experience, in order to utilize the capacity in rush hour, service for takeaway and home delivery must be applied. Moreover, during the opening time, Timi has screens installed on the walls playing music, movies or entertaining shows for helping the customers to relax. This is the same way other franchises usually do including McDonald's, Subway, Burger King, etc.

The diversity of products and services must come along with high quality. All raw material or foods of Timin Grilli warrant their hygienic condition. Despite it is developed as fast-food model, the quality standard of product is to reduce the unhealthiness as much as possible. Timi aims to use natural raw-material from each ingredient to the frying oil, which is usually mentioned as an unhealthy part. In restaurant business, nothing more is important than how the food tastes. With more than fifteen-year experience and big number of perennial customer, Timi is able to be confident with the product's quality. Besides that, she has more than five skillful chefs, who were carefully trained, are ready to cook the most delicious meals. Service as being mentioned before is the factor needs to be improved and renewed. Under this circumstance, Timi is now applying new criterion for sales services with full set of techniques, which is used commonly by popular brands. The staffs now are able to interact better with customers and make them even closer. Starbucks is a brand that is really successful by serving their customers thoughtfully. The purpose of these actions is to make customers feel convenient and comfortable.

## **Place**

Place in marketing mix presents for all kinds of product distribution. The task is to find a good location, where it satisfies both customers' convenience and business's benefits. In order words, the restaurant should be located at the most suitable location that the customers can easily approach and this place must be most beneficial for the business on the economical aspect. In this section, there will be three elements mentioned, which are Demographic factors, Physical Characteristics and Activity Generators.

Demographics data of potential customers are important information collected through variety of places including census data, chambers of commerce, trade journals, commercial sources and business publications. These kinds of secondary data determine the success of a restaurant business or any other businesses. These data will be used along with data from city map, which provides transport information (on foot, by car and public transportation) and how long it takes a customer from a certain location to get to the restaurant. When conducting a research on demographics, basic elements such as age, gender, average income, personal employment status, traditional customs, etc. are collected for market segmentation. The purpose for these kinds of data is to determine a suitable location for the restaurant that is able to satisfy the most of target customer with the planned concept. This is the most important action that it determines whether the other factors like product, price, promotion are suitable for the customers in that area or not. In this case, Timi hire a market research agency to conduct the research on Kokkola area and surrounding areas such as Pietarsaari, Ylivieska, Kronoby, and Oulu. Timi wants to collect the information of most common types of demographic data for each region and make a comparison between them to get to know the similarities of them. With these similar features, she will be able to synchronize her chain in the future. The most common types of demographic data to be collected include: total number of population, age, gender, ethnicity, employment status, household size, life cycle stage, education level, housing characteristics, psychographic/lifestyle segmentation, income/total wealth, population density, population trends (growing, static, shrinking and changing).

Timi has to carefully consider in choosing location that it brings the economic benefits when she applies three types of offered services including eat-in, takeaway and home delivery. The first priority of Timi is finding a location that is close to the busiest bars or clubs in the city. After more than fifteen years in business, Timi realizes that there is always a big demand for food during the opening hours of these bars or clubs. The major reason is because most of the bars here in Kokkola do not serve food or at least snacks. It indirectly forces the customers to go out for food after having fun, especially at weekend midnight. For that reason, Timi decided to keep this tactic and apply it into her restaurant. The second criterion is the location must have a certain number of passers every day. This criterion is always the first priority of big franchise brands that it may warrant the sales result or at least it is able to get notice of the passers. The drawbacks of this choice according to Timi, are the high rental prices and the existence of many competitors. In

order to satisfy these two conditions, Timi decided not to locate her restaurant in shopping center of the city and it must be near walking street. The last important criterion is this location must include or being close to a parking lot, so that customers can reach the store easily and home-delivery service of Timin Grilli is possible to be applied. Timi aims to apply this pattern to every Timin Grilli franchise in Finland.

### **Promotion**

By using promotional strategies, the manager can get the potential customers to come to the restaurant and try its food. To make the potential customers become the regular customers, there must be effective promotional strategies, which are built based on strengths of the restaurant. Timi will for the first time apply a professional promotional strategy that includes discount program, launching restaurant's website, leaflet distribution, happy hour program, approaching nearby companies.

Offering initial discount program to the customer is an initial tool that many restaurants use to get noticed by potential customers. At the beginning of opening, most of the people in a new area do not have any idea who you are, so they also do not have any reason for trying a new thing except for they are offered a good price. Therefore, in this case Timin Grilli will provide a discount of 20% for every order in first week. In addition, there will be an option that if the value of the order is more than 15 euros, they will be given two extra-spring rolls or salads. That is a useful tool to attract new customers as well as indirectly make them try new dishes. After long time of consideration, Timi decided to choose 20% as a reasonable discount, that is more attractive to customers and it also warrant business's profit. To encourage the customers to return or invite their friends to come, Timi will provide these discount flyers on the customers' receipts.

In case there is only one restaurant to be opened, so it is not necessary to create a website because it is not worth doing it. If there is a chain of restaurants operating as franchises, a launching its own website is compulsory. Today is an internet era and many customers usually access the internet to find a local restaurant in just few minutes. To take this advantage, Timi will hire a web-developing company to launch a website for her restaurant. On this site, there will be all information about the restaurant including menu, price, opening time, address, discount offers and especially, the information of franchising. Moreover, to increase the number of sharing, there will be a Facebook and Instagram page of Timin Grilli established. There is an employee being responsible for updating the



operation, pictures, promotional deals or customers' feedbacks every day or week. Young people today tend to use social networks to share something they find interesting to their friends. This is a brilliant tool to get more attention of new customers. The important point is the website or Facebook page highlights the franchise information for potential franchisees, who intend to cooperate with Timin Grilli. Full information and instruction will be showed carefully so that they are able to get to know easily.

Besides restaurant's website, in the initial period, Timi will send some employees to distribute leaflets on some main streets. These leaflets are same as website that contain both information about Timin Grilli as well as menu of the restaurant and discount offers. The leaflet is designed professionally to be attractive. The last point is that these leaflets should be delivered at appropriate locations. The reason is because target customers of Timin Grilli range from teenagers to mature people; so Timi has to wisely choose the suitable location, where there are many people in that group passing by. These locations are usually at super market, shopping center, walk streets or city center, etc. Hospital or primary school should be avoided because the people there do not belong to Timin Grilli's target group.

The utility of the Happy Hour program is to stimulate sales during slow hours in a day. In Finland, Happy Hours are often in late afternoon from 4pm to 8pm on Monday to Friday. In this period, the number of customers going out for food is usually much smaller than rush hours such as lunch time or weekend midnight; because after long day at work, they usually go home for dinner. Therefore, there should be a promotion to attract more people to come to Timin Grilli after work. Timi wants to give a discount of certain percent for each kind of option on the menu. For example, it is 25% off for every kind of food except for spring roll and chicken balls. In addition, drinks' prices are reduced by a half, whereas tea and coffee are free. The last offer is a discount of 35% for any order with value of more than fifty euros. Timi learnt these methods from other chain restaurants in the same region. She also wants it to be synchronized in restaurants of Timin Grilli in the future.

There is an advantage that most of the small restaurants do not notice that they can cooperate with some companies or organizations surrounding their restaurants. In some companies, they usually reward their employees with meal tickets at their partner restaurants. As Timi recognizes this opportunity, she makes a plan to cooperate with other companies, offices around by negotiating about the price of deals and sign long-term

contracts with them. The key point is the restaurant's menu must be able to satisfy all the companies' employees or at least most of them. This is not an easy challenge because there is still someone, who is not interested in Asian food. In this case, discounted drinks or pastries are more possible option. The most difficult threat for these kinds of deal is in case there is a mistake appearing, the contract can be canceled.

## **Price**

Together with product strategies, price strategies are one of two major factors, which help to complete the criteria of Timin Grilli's products – best food at lowest price. To set the most reasonable prices, Timi intends to take account of five elements, which are food costs, other costs, market changes, customer base and competition. Food costs are the first basic element in calculating price for any restaurant's menu. They are value of expenditure on raw-materials or ingredients used to make a dish. This value depends on the market price of each ingredient. Timi wants her dishes to be the best ones, so all ingredients must be high-quality. However, it will lead to an increase of average expenditure for each meal, which may cause the profit margin to be extremely low or even losses. There is no other way that Timi must replace some basic ingredients with normal ones such as vegetables, whereas she still keeps purchasing high-quality ingredients that are important like meat and special spices. In addition, there are some other costs including rental fee, labor, supplies, marketing costs, equipment. In fact, these costs are usually fixed, so it needs to be considered carefully before deciding to use. Under this circumstance, Timi intends to use highly trained cooking staff to ensure food's standard, so it will cost her more expensive cost. To deal with it, Timi decides to reduce expenditure on marketing costs and other additional costs. The third element is market changes that mean the dependence of cost on the external causes from market such as natural disaster, poor growing seasons. These changes can cause a fluctuation in cost and also in price, so the customers will be uncomfortable with this unsteady change. Thanks to Timi's experience, she has signed a long-term contract with suppliers, so they warrant providing the ingredients with fixed costs. In return, they can get regular orders in long term. This is a really brilliant move by Timi. The next essential element is customer base, in which price setting must be suitable with target customers. As mentioned in previous sections, target customers of Timin Grilli range from teenagers to mature people; and it means that the price should not be too much high for young customers and too much low for adults. The reason explaining for this balancing is because most of teenagers usually do not have big budgets for expensive

meals, whereas adult people with stable incomes do not prefer cheap foods no matter how good they are. Therefore, balancing the price can help Timin Grilli to satisfy both groups equally. Last but not least, competition also affects how Timi set the prices. There are many restaurants surrounding Timin Grilli restaurants in every area because of ideal locations. In this element, Timi will make a comparison between price of Timin Grilli and competitors for similar menu items. In this case Timi will not tend to reduce the price of dishes, but keep it at a certain level although it may be higher than the competitors'. To explain it, she is confident that her quality of dishes, services is better than any other rivals in the same area. In this situation, if she reduces the prices, it means that she herself underestimates Timin Grilli's image as well as forces profit to decrease. When Timin Grilli operates as a food trailer, which is considered as street food, she set price of 7 euros for each dishes and 1 euro for 1 spring roll. In the future, when Timin Grilli opens its first restaurant, the prices will be 10 euros for dishes and spring roll is still kept at the price of 1 euro, because spring roll is the most favorable product of Timin Grilli. By combining these five elements, Timi has been able to set the most reasonable prices meeting the criteria of Timin Grilli.

#### **4.1.3 Competitor Analysis**

When deciding to operate Timin Grilli as a franchise brand, Timi knows that her business has to face the biggest external factor – competitors. The bigger Timin Grilli develops the more competitors it gets. In order to make an efficient strategy to deal with these competitors, the first step to do is to recognize them. However, in each region, there will be different names so that the manager needs to incorporate with franchisees to name and classify their competitors before entering the market. There are three groups of competitor that Timi divided competitors into.

The first group comprises all popular brands, which are globally well-known like McDonald's, Subway, Hesburger, etc. and they have existed in target market for certain time. They are also the toughest rivals because their advantages are much more than any newcomers or local businesses. Fortunately, they are not direct competitor because of their dishes, theme, and size. However, they somehow influence on Timin Grilli's upcoming

franchises. To compete with them, Timi must take advantage of lower price, unique products. Location is not a good factor to choose because these brands are always located at most advantageous locations.

Similar to the first group, local restaurants are potential rivals although they are much easier to deal with. These restaurants like in other regions of Finland serve mainly Western-style fast food such as pizza, burger, kebab, etc. To deal with this kind, Timi is able to take all advantages she has and compete on every element because their potentials are equivalent. These restaurants anyway serve different products and services, so Timi has her own advantage.

The last group is direct competitors, who must be noticed the most. They are restaurants, which serves same kinds of food and target customers, are always potential rivals. All Asian restaurants in Finland are not operated as a fast-food franchise; and it means Timin Grilli's service style is different from them. In this term, to compete with them, Timin Grilli must serve better food at better price in better locations. Timin Grilli's opening time is more special than the others as it also serves at midnight, so it is a significant strength. However, Timi must improve her dishes as it must satisfy most kinds of customers from young to old. In fast food industry, it is not important to satisfy the most discerning persons, but they need to satisfy as many customers as possible. In other words, the taste should be at mass standard. This is the toughest challenge need to be overcome so that the business can be successful.

## **4.2 Timin Grilli franchise model**

In this section, the author is going to go deeper into franchise model of Timin Grilli. Each subsection sketches out an important part of model that constitutes the whole business. There is a franchise structure and activity analysis related to franchise.

#### 4.2.1 Cost structure

In order to demonstrate the standard cost structure for a regular Timin Grilli's franchise restaurant in the future, Timi collected information and made a profit/loss budget statement (APPENDIX 1). This statement is created based on the market prices of all elements purchased along with estimated sales results. Timi had to use sales forecasting methods to give a reasonable statistics.

This statement is calculated for 5 periods with first 5 years of operation respectively. The stable is made up with a list of subsections for three main categories including variable costs, fixed costs, sales, loan and profit. The main purpose for completing this statement is helping either Timi or other franchisees to understand the how much it costs for Timi's restaurant operation. The statistics reflect the expenditures as well as expected returns based on these expenditures; and it shows how efficient a manager use capital.

The first part considered is revenue, which contains foods, drinks and other products like pastry, coffee, tea, etc. In fact, Timi does not have any clear evidence for exact statistics because she has not ever run a restaurant business before. All she does to add these numbers are based on her experience working as food-trailer manager. She used average number of sales in few particular years for forecasting. It is certainly different between two kinds of business and it contains few more factors like the seasons, opening time, services, scale of business, value of investment, etc. Therefore, these fictional values are much greater than current Timin Grilli. These are also expected revenue that Timi wants to achieve around first five years of her business.

The second section is variable costs containing all possible costs that usually vary depending on other factors. They are wages or salaries, restaurant yearly supplies, maintenance, extra-service costs and welfare. Salaries or wages of employees are calculated in case the restaurant hiring 8 staffs working in one year. There are two executive chefs interchanging each other in two shifts with estimated wage of 3,000 euros a month for each one. In addition, there is one accountant, whose salary is 2500 euros a month, is responsible for financial work of Timin Grilli. The last five staffs are normal crew members. They are paid 9 euros per hour and work for approximately 6 hours per day. In the future, to conduct franchise activity, Timi will hire more personnel being responsible for this department. Moreover, there is a section called costs of goods sold,

which are the direct costs to produce the products. It involves ingredients, raw-material costs; and it varies based mainly on sales. Timi also take monthly supplies for restaurant into account and assumes that they remain constant after years. It is different from current trailer business, a standard restaurant must have employees' welfare, promotional costs and extra-service like home-delivery.

In the fixed costs section, the appliances and furniture costs will be only invested at the beginning, so Timi will not need to renew them for at least five years. Marketing costs are also significant that it includes all expenditure for marketing activities like online and offline marketing. Timi has to pay yearly for website maintenance, printing leaflets, business cards and other advertising costs.

The first year will be the toughest period for Timin Grilli's restaurant because its initial investments and costs are too high while the sales cannot offset the gap. Therefore, Timi has to borrow 100,000 euros from investment fund to carry on the business and she has to pay in ten years.

The net profit for first year will be disappointing; however the situation will be improved in the next years with the net profit ranges from 7 to 11 percent, which is also average net profit in this industry. Timi expects to keep this structure for her franchisees to refer. These costs exclude value of real estate, restaurant cost, other franchising costs and royalty fee, which franchisee must pay Timi each year.

#### **4.2.2 Types of franchise**

A typical fast-food brand usually offers four main types of restaurant, which are traditional restaurant, satellite restaurant, small town oil (STO) and BFL franchises (FDD of McDonald's). Besides the traditional restaurants, satellite restaurants are restaurants opened in retail stores, mix-used buildings, strip center, airport, universities, hospitals, and other diverse locations. It is called satellite restaurants or satellite locations because it is located dependently in other major buildings and it usually serves a scaled-down menu of a main traditional restaurant. The advantage of this type of restaurant is convenience, small scale and being able to get noticed indirectly by passers. Small town oil is a common type

of fast-food restaurant that it takes advantage of stops from gas station's customers. The last type is BFL, which stands for Business Facilities Lease. Under this form, the franchisees are granted leases of business facilities and they are able to purchase certain restaurant assets after certain time and have 20 years to extend the business. In order to offer the partners the best types of restaurant, Timi must analysis all information needs to coincide the benefit of both sides. Based on business environment of Finland, there are two options from Timin Grilli that franchisees can choose – traditional restaurant and satellite restaurant.

Traditional restaurant is the major type that Timin Grilli tends to offer because storefront unit is still the most preferable one in fast food industry. With this type of restaurant, its capacity will be fully utilized as the customers can be served a full menu and more formal service. In these franchises, there are furniture, television screen, etc. At the beginning, this kind of option will be mainly introduced to franchisees and encourage them to choose. In a typical traditional Timin Grilli restaurant, the customers can taste all kinds of Timin Grilli's dishes as well as being offered three types of services including home delivery, eat-in and takeaway. Moreover, there is a playroom for children so that their parents will feel convenient. A location for opening a traditional restaurant will be carefully selected as they prefer high profile street locations, city center or independent area. A requirement to build this kind of restaurant is parking lot that it is able to satisfy all kinds of customers come from anywhere coming by any kinds of transport.

The second type Timin Grilli wants to offer the franchisees is satellite restaurant. This type is very useful for getting attention of passers in public building. Most favorable places for this kind of franchise are regional and community shopping centers like Chydenia or markets such as K-Market, S-Market, Prisma, etc. In these places, Timin Grilli is going to apply food court unit for most of franchises. Due to the limited size of leases in these places, the menu will be minimized as it contains only major dishes and drinks. In satellite restaurants, the number of furniture is also much fewer, so it focuses mainly on takeaway service. However, the preparation time will be reduced and Timi wants to make customers feel convenient and fast as same as in convenient store. If a franchisee chooses this option to open Timin Grilli restaurant, monthly rental fee will be higher as they are located in busy locations. In return, the initial investment will be less than of traditional restaurant due to small size of franchise.

### 4.2.3 Training

For a franchise business, there is a requirement of an official franchisee support developed formally. That is why a franchisor must have a strong operations manual, which is the most important part of training program; and it seems as an extension of the franchise agreement. The franchisee is required to comply with all standards incorporated in this manual by the franchisor. A regular operations manual usually starts from most basic steps in the following areas like site selection, start-up, operations, finance, local marketing and advertising. It is written that it can be used by either professional or non-professional franchisees, who have no experience in the industry. Due to its complexity and highly-detailed nature, Timin has to hire an expertise to develop this manual. Besides operations manual, a strong training program is also drafted before selling franchise because it is a tool for imparting operations manual's contents to franchisees. The aim of the training program according to Timi is to train a new franchisee, who even has least skills, to be able to manage the business and satisfy Timin Grilli's standard as well as represent the brand. Like other brands, Timin Grilli's training program comprises three major elements: headquarters training, onsite training and ongoing training.

Headquarters is also known as pre-opening training course at headquarters. In this type of training, Timin mainly focus on Timin Grilli's criteria, history, opening procedures, products, services, daily operations, business standard, company's structure, relationship with suppliers or vendors, etc. In other words, Timi will ensure that her franchisees are well-trained all essential knowledge about Timin Grilli and being able to manage as well as maintain the business operation before the franchise officially operates. There will be many courses organized mainly for franchisees that co-operate with Timin Grilli. These courses will be conducted by professionals or Timin Grilli's experienced senior staffs. After training sessions, these participants can gain all the knowledge needs for franchise operation and they will have abilities of operational evaluation. This skill is extremely important that the franchisees or managers must directly supervise the restaurant's operation and evaluate it themselves because company's supervisor cannot be in charge all the time. Timi also recommends management staffs of franchisees to attend training session. It is always good for a business that every crew members can acquire knowledge, so that they know what to do for each other and for business. In these courses, the participants will gain a practical insight in each process of production line. Individuals' skill is also focused on by applying discussion and hands-on work. Timi will create



opportunities for the clients to experience the Timin Grilli's standard food and expected services; therefore, in the future they can evaluate themselves. It is a vital challenge in making every franchisee to have a same standard level for Timin Grilli's products because synchronization is one of the prior criteria.

Onsite training is different from headquarters training in respect of location of training and its contents. It is organized in Timin Grilli's franchise restaurant and its purpose is to help the franchisee to become more familiar with day-to-day operation of the business. Except for experienced franchisees, most of the inexperienced newcomers are unable to adapt to the new environment at the beginning. Most of them do not know how to deal with problems occurring during operation even though they are well-trained. In fact, there will be thousands of situations happening unexpectedly in both practical operation and training sessions. That is the reason why they need to be supported during this period with the Timin's opening team. Timi tends to recruit an opening team to help the franchisee to maintain restaurant's operation in first few weeks. It shows the franchisee a care from parent company and this action encourages them to keep balance. In addition, this team will also record the performance of new franchisee, report the result to the Timi and give franchisee a feedback. The quality of food, service and time of service is also checked to ensure that this franchise make a good first impression to customers.

Finally, in order to adapt to Timin Grilli's new policy, procedures, products, ongoing training session must be applied. In this fast-food market, the business concept should be changed frequently based on trend and customers' tastes. In this case the franchisee must be informed all new activities. It means the staffs have to get to know which part need to be changed and which one will be replaced. Both franchisee and key staff members must attend these refresher training courses to minimize the erosion of system standards. In the future, Timi will add more items onto her menu and change it periodically. It will lead to a change in procedure and process of food preparation and serving style, so that Timi should make sure they can catch up new requirements. The franchisee also continues to apply ongoing training to new employees, who are not with the business from beginning.

#### **4.2.4 Other franchise-related activities**

In this section, the author will focus on other franchise-related key points of Timin Grilli. These elements are not mentioned as much as these ones above, but it does not mean that they are less important.

Royalty fee is a compulsory agreed fee that the franchisees are obliged to pay franchisor annually. It requires a careful consideration before setting a royalty fee because it must be reasonable. A difference of 1% of royalty fee may make a huge gap in the future when the franchise chain expands large enough. For example, if a brand reaches a number of 100 franchises sold after 8 years operating with 600,000 euros annual gross sales for each restaurant, so the gap of 1% will be 600,000 euros annually. Moreover, in this industry, they usually sign for 10-year contract, so the gap in this case even get bigger. According to Timi, she tends to keep ratio at 7% royalty in term of 10 years. Then, she may increase or reduce 1% of royalty fee in case she thinks this business brings benefits to her company. By using this strategy, this is a smart move to make sure it is a win-win situation.

Timin Grilli offers two types of leasing agreements in franchising – direct franchise agreement with Timin Grilli and the lease of premises with the landlord. In the first type, Timin Grilli deals with the landlord about base rent and other related terms. There is one real estate director hired to negotiate with potential-location landlord. This one secures a most reasonable contract for both Timin Grilli and franchisees. Then the franchisees are granted a license to occupy the premises. By this way, the franchisees do not need to deal directly with the landlord. Second type is about the deal between franchisees and the landlord; and Timin Grilli is not responsible for this agreement. However, the franchisees must manage to coincide the terms agreed with both parties. In direct franchise agreement, the franchisees oblige to pay Timin Grilli a monthly rental, which is the greater of a fixed minimum rent or 8.5% of monthly gross sales of this franchise. Moreover, the franchisees have to comply with the lease terms under the license agreement.

In term of marketing fee, a franchisee is obliged to pay Timin Grilli a monthly advertising levy of 4% of gross sales under the license agreement. In return, franchisee is supported by Timin Grilli with a marketing support package. There are many actions involved in this package relating to advertising and marketing. Franchisees are assisted to develop marketing plan as well as local store marketing efforts. Timin Grilli also helps the franchisees to evaluate and analyze marketing effectiveness and supports all marketing and

advertising needs. Before developing a marketing plan, there is a team being responsible for in-depth research to inform marketing strategy. In general, an umbrella marketing strategy will be conducted by marketing department; and it covers all franchise units' marketing activities. In addition, there are also support services including print and promotional items. The franchise unit can purchase promotional items such as cups, balloons, toys and souvenirs, on which Timin Grilli's logos are printed. These items are sold or given at all restaurants. They come together with free-standing inserts that delivered via post or newspapers as well as menu flyers.

Due to small scale of business in the initial operational period, Timin Grilli will operate under form of an exclusive franchisor and an owner-operator for each unit instead of area franchisees who will develop multiple units. In this period, there will not be many investors interested in the Timin Grilli, so running with master franchisees is not necessary. In this form, the franchisee will be responsible for only one franchise unit that he purchased. However, the franchisee can purchase another unit if he has ability. These units must satisfy the protected exclusive territory regulation of Timin Grilli that territory of a regular Timin Grilli restaurant is defined as a 1.5 kilometer radius of the approved location. In case a franchise restaurant is located in a highly populated urban area like Helsinki, Tampere and Oulu, the territory will be reduced to a radius of  $\frac{1}{2}$  kilometer or even of  $\frac{1}{4}$  kilometer.

#### **4.2.5 Requirements and costs**

Before signing the franchise agreement, the franchisees must take a look on requirements and costs that they are obliged to pay. It includes initial franchise fee of 30,000 euros, training costs, facility costs, etc. The total expenditure that the franchisee must pay beforehand is from 216,570 to 425,170 euros depending on location, franchise type, franchise size, etc.

TABLE 2. Initial requirements and costs

Type of Expenditure	Amount	Payment Method	When Due	Receiver of Payment
<b>Initial Franchise Fee</b>	€ 30,000	Lump sum	On signing of the Franchise Agreement	Timin Grilli
<b>Training Costs</b>	€ 7,000 - € 15,000	Lump sum	Before training period	Timin Grilli/Vendors
<b>Leasehold Improvements/Furniture, Fixtures and Equipment</b>	€ 90,000 - € 250,000	Lump sum	Before opening	Contractor/Architect/Vendors
<b>Initial Inventory</b>	€ 5,000 - € 9,500	Lump sum	Before opening	Vendors
<b>Grand Opening Advertising Expenditure</b>	€ 3,000 - € 10,000	As arranged	Before opening	Timin Grilli/Advertisers
<b>Business Licenses</b>	€ 3,320	Lump sum	Before opening	Licensing authority
<b>Rent</b>	€ 15,000	Lump sum	Monthly	Lessors
<b>Security and Utility Deposits</b>	€ 3,000 - € 11,000	Lump sum	As agreed	Vendors/Lessors
<b>Business Insurance</b>	€ 4,750	Lump sum	As required	Insurance company
<b>Soft Costs</b>	€ 30,500 - € 51,600	Lump sum	As agreed	Vendors
<b>Additional Funds (3-6 months)</b>	€ 25,000	As incurred	As incurred	
<b>TOTAL</b>	€ 216,570 - €425,170			

## 5 CONCLUSION

Timin Grilli has been in food industry for more than fifteen years and there is not any signal showing that it will stop. However, to keep the business developing sustainably, it is required to gain a more suitable model. This model must be able to be applied not only at present but also in distant future. In modern business environment, franchise model has proved that it is always the most optimal one at least in this industry. As most of people think, this is the only way that helps Timin Grilli to reach a further milestone.

In order to make a good preparation before operating as franchise brand, there are many issues need to be analyzed carefully as franchise is a wide term, which relates to many other aspects. The author wants to firstly demonstrate the business cycle of any kind of business involved. The purpose of this analyze is to find out in which stage Timin Grilli belongs to. In case of Timin Grilli, it is struggling with the saturation of the market in the maturity stage. That is a reason why the owner needs to make preparation for a change as soon as possible. After a decision has been made, the next step is to get to know more about franchise model. In this thesis, the author tries to point out generally all steps that a business like Timin Grilli should follow to build a franchise. It comes along with business definition so that the manager can build its general concept. It is obviously just a surface of a vast matter and it requires more than a concept. In this case, the author needs more in-depth information, which is collected from both external and internal sources, is a result from quantitative and qualitative research. To conduct this research, an in-depth questionnaire is drafted for Timin Grilli's owner, employees and customers. With that result, the author now has an objective insight into practical matter.

A marketing analysis is a part of the initial preparation and it plays the most important point in not only Timin Grilli case but also in any other businesses. SWOT analysis is the tool that the author and owner of Timin Grilli agreed that it is suitable to be used in order to analyze all kinds of elements involved. Every business has its own strengths and weaknesses as well as there are always opportunities and threats coming together in the market. The importance is how to efficiently use all collected data during the research to conduct a SWOT analysis for a particular case, which is almost different from theoretical issue. To ensure its accuracy, the researchers need to refine information and ideas from the most trustworthy individuals. Owner, employees and customers cooperated well in this

situation as they contributed the information, feedbacks and opinions based on their own experience and feeling. In the author's opinion, this research was conducted better than it was expected. Moreover, there are also contributions from professionals, who were hired to complete all defects in market research. Market research needs more than just enthusiasm as there must be accurate data from market; and there is no one more suitable than experts. The author used these data to complete two factors – opportunities and threats in SWOT analysis. The researchers used general business statistics of this industry in Finland as well as probe all characteristics required for this kind of business. Other similar businesses' models are also taken into consideration to make a comparison. Besides SWOT analysis, marketing mix is also an efficient tool to define clearly which concept Timin Grilli chooses to become thorough 4Ps. Each P represents for each indispensable factor that Timin Grilli should shape and develop. SWOT analysis along with marketing mix is a cornerstone that helps the leader to plan a competitive strategy based on current resources and condition.

The final step in the whole preparation process is defining detailed franchise-related model of Timin Grilli. The main aim of this thesis is to direct a small business into franchise world that means all the related matters must be solved. The most remarkable differences between franchise business and other types of business are business concept, systematic issue and replication. In other words, a typical franchise model needs a different operation model like members' benefits and liability as well as synchronization within the business. In this thesis, the author lists major elements of a typical Timin Grilli franchise restaurant including model, cost structure, initial capital, business's programs, franchisor's support and franchisees' liabilities. By building up a detailed concept like that, future franchisees can receive more useful information for making decision on attending the business.

In conclusion, there are still more matters, which are not mentioned in this thesis, are out of scope of the topic. Since franchising a small business like Timin Grilli requires more than just a report so that the owner needs to complete all matters missing if she wants to conduct a perfect preparation. However, all analyses and discussions in this thesis can help the manager to have an overview of step-by-step procedure in planning a reasonable strategy. As the author recommended above, there must be a help from professionals, who have experience and specific knowledge in this industry. By combining these two factors, the possibility of success for Timin Grilli will be increased.

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**Profit/Lost statement for Timin Grilli**

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Revenue (sales)</b>					
Food	€ 160,000.00	€ 305,000.00	€ 315,000.00	€ 320,000.00	€ 327,000.00
Drinks	€ 45,000.00	€ 52,000.00	€ 55,000.00	€ 56,000.00	€ 56,400.00
Other (pastry, coffee, tea)	€ 14,500.00	€ 16,000.00	€ 16,200.00	€ 16,300.00	€ 16,350.00
<b>Gross revenue</b>	€ 219,500.00	€ 373,000.00	€ 386,200.00	€ 392,300.00	€ 399,750.00
<b>Variable costs</b>					
Costs of goods sold	€ 32,000.00	€ 54,378.13	€ 56,302.50	€ 57,191.80	€ 58,277.90
Wages and salaries	€ 198,000.00	€ 198,000.00	€ 198,000.00	€ 198,000.00	€ 198,000.00
Cleaning supplies	€ 320.00	€ 320.00	€ 320.00	€ 320.00	€ 320.00
Kitchen supplies	€ 1,350.00	€ 1,350.00	€ 1,350.00	€ 1,350.00	€ 1,350.00
Office and other supplies	€ 1,050.00	€ 1,050.00	€ 1,050.00	€ 1,050.00	€ 1,050.00
Maintenance and repairs	€ 1,100.00	€ 1,100.00	€ 1,100.00	€ 1,100.00	€ 1,100.00
Employee welfare	€ 17,300.00	€ 17,300.00	€ 17,300.00	€ 17,300.00	€ 17,300.00
Discounts/coupons	€ 8,500.00	€ 8,500.00	€ 8,600.00	€ 8,700.00	€ 8,900.00
Home-delivery service	€ 720.00	€ 820.00	€ 830.00	€ 840.00	€ 850.00
<b>Total costs</b>	€ 260,340.00	€ 282,818.13	€ 284,852.50	€ 285,851.80	€ 287,147.90
<b>Contribution margin</b>	€ - 40,840.00	€ 90,181.87	€ 101,347.50	€ 106,448.20	€ 112,602.10
<b>Nr. Of employees</b>	8	8	8	8	8
<b>Fixed costs</b>					
Appliances	€ 50,000.00	€ -	€ -	€ -	€ -
Furniture	€ 2,000.00	€ -	€ -	€ -	€ -
Rent	€ 15,000.00	€ 15,000.00	€ 15,000.00	€ 15,000.00	€ 15,000.00
Insurance	€ 4,750.00	€ 4,750.00	€ 4,750.00	€ 4,750.00	€ 4,750.00
Licenses & fees	€ 3,320.00	€ 3,320.00	€ 3,320.00	€ 3,320.00	€ 3,320.00
<i>Marketing</i>					

## APPENDIX 1/2

Leaflets	€ 110.00	€ 110.00	€ 110.00	€ 110.00	€ 110.00
Website	€ 590.00	€ 300.00	€ 300.00	€ 300.00	€ 300.00
Business cards	€ 35.00	€ 35.00	€ 35.00	€ 35.00	€ 35.00
Advertising	€ 11,700.00	€ 12,000.00	€ 12,300.00	€ 12,600.00	€ 12,900.00
Utilities	€ 7,200.00	€ 7,600.00	€ 8,000.00	€ 8,200.00	€ 8,400.00
Miscellaneous	€ 500.00	€ 500.00	€ 500.00	€ 500.00	€ 500.00
<b>Total Fixed costs</b>	€ 95,205.00	€ 43,615.00	€ 44,315.00	€ 44,815.00	€ 45,315.00
<b>Operating margin</b>	€ - 136,045.00	€ 46,566.87	€ 57,032.20	€ 61,633.20	€ 67,287.10
<b>Liabilities</b>					
Loan income	€ 100,000.00				
Loan payment	€ 10,000.00 € 10,000.00 € 10,000.00 € 10,000.00				
<b>Business tax</b>	20%				
<b>Total final costs</b>	€ 355,545.00	€ 326,433.00	€ 329,167.5	€ 330,666.00	€ 332,462.90
<b>Profit before taxes</b>	€ - 36,045.00	€ 36,566.87	€ 47,032.20	€ 51,633.20	€ 57,287.10
Income tax	€ -	€ 7,313.374	€ 9,406.44	€ 10,326.64	€ 11,457.42
<b>Net profit</b>	€ - 36,045.00	€ 29,253.496	€ 37,625.76	€ 41,306.56	€ 45,829.68
<b>Net profit ratio</b>	- 16.42%	7.84%	9.74%	10.53%	11.46%

**Interview with Timi - the owner**

1. What make Timin Grilli different from the others?

Answer: unique products and services, fast service, friendly service.

2. What is your mission statement?

Answer: reach the goal of 10 restaurants in Ostrobothnia within 15 years.

3. What is the policy of your business?

Answer: good employees' welfare, higher average wage of employees, best customer services.

4. What goals did you set for future expansion? (Turn-over, profit, geographically)

Answer: Average turnover of typical Timin Grilli is expected to be about 450,000 euros. The profit is about 55,000 euros and Ostrobothnia is company's major territory.

5. How many percent of customers favor Timin Grilli become restaurant business?

Answer: 85% of customers.

6. How many percent of interviewees outside Kokkola know Timin Grilli?

Answer: just 23% of interviewees.

7. Do you believe that the company can handle a future expansion – economically and with respect to time? Relying on objective opinion, do you think that your business will be successful in future expansion in respect of economy and time?

Answer: It has ability to handle it economically; however it may need more time than was expected.

8. Do you have knowledge or experience of restaurant management?

Answer: I just have experience in smaller business management like food court or trailer.

9. Do you know how to appraise your business; and how much do you think Timin Grilli worth today?

Answer: I do not know how much Timin Grilli is worth; but according to consultants, it is worth approximately 400,000 euros.

10. Can you make a comparison between the Timin Grilli's value and required initial investment to open a restaurant? Are two values different or equivalent?

Answer: Timin Grilli's value is bigger than initial investment; however, the gap is not too far because initial investment excludes construction fee.

11. Describe briefly how you use accounting method and management system.

Answer: Timin Grilli is installed internal management system from third party and we have to pay for it. It helps to operate business activities. Moreover, there will be 2-3 accountants being responsible for financial works.

12. What business form does Timin Grilli use?

Answer: franchise fast-food restaurant.

13. What make your business profitable?

Answer: large number of customer and accurate profit margin.

14. What is your prediction about the liquidity of Timin Grilli?

Answer: customers will mostly pay by card, so it is not a big challenge. The inventory value should be at lowest level as ingredients will only be purchased when it is almost out of stock.

15. Describe the cycle from ordering until the product coming to customer.

Answer: order accepted – chef prepares dishes (orders are showed on screen) – service staff completes the order (package) – service staff gives to customer.

16. Who is responsible for handling the payments of salaries, handling of invoices and payments?

Answer: In first years, Timin Grilli will be responsible for payments as well as paperwork.

17. What are risk factors and occasional costs that you predict to appear during operation?

Answer: lack of supplier, shortage of ingredients lead to higher costs. Equipment maintenance is also occasional cost.

18. How many people total will work for Timin Grilli? What are their positions or which department they are involved?

Answer: In a typical Timin Grilli restaurant, there will be 8 staffs - two chefs, one account and five staffs.

19. Who is the top manager or CEO?

Answer: Timi is CEO, while franchisee will be franchise unit's manger.

20. Who are the key persons in the organization?

Answer: CEO, manger, marketing director, executive chef.

21. How will you divide tasks for each employee?

Answer: each staff work in own planned shift. In case this staff is not able to work, another one will replace.

22. How about the current employees Timin Grilli have? Can they satisfy the requirement?

Answer: All current employees meet the demand of business although there are some skills need to be improved.

23. What kinds of employee does Timin Grilli lack?

Answer: native service staffs, marketing director and accountant.

24. How does the level of salary look like?

Answer: Chef – 3,000 euros/month

Accountant – 2,500 euros/month

Normal staff – 9 euros/hour

25. Which are your raw material suppliers?

Answer: There is one supplier in Pietarsaari and one in Tampere.

26. Could you explain the routines during a day at Timin Grilli?

Answer: Staffs come at 7 am for preparation and the restaurant will be opened at 8 am. 11 am to 2 am are rush hours and the restaurant is closed at 10 pm.

27. How can you calculate and evaluate the work of each employee?

Answer: Employees' works are calculated based on working hours and sales on individual.

28. How can you enhance the employees' effort?

Answer: training courses are compulsory for all employees to enhance their effort. The best staff of the month will be rewarded.

29. How is the company's culture?

Answer: every person should be a member of a big family. Competition between employees is not allowed. The tasks are divided reasonably and individuals' rights should be equal.

30. Is there any person or plan for evaluating the quality of the business?

Answer: In first period, Timin will be the one who is responsible for evaluating restaurant's operation.

31. What are the criteria you follow in order to make the evaluation?

Answer: Fast-serving, good product, customers' positive feedbacks, hygienic matter.

32. In what way can you satisfy the external quality demands (customers, hygienic agency)?

Answer: there is one staff that is responsible for checking ongoing operation as well as hygienic matters before and after opening hour.

### Questionnaire to the owner

- **SWOT analysis**

1. What are Timin Grilli's strengths?

Answer:

- . More than fifteen year experience
- . Skilled employees
- . Large number of customer royalty
- . Great reputation in town
- . Fast and good service
- . Unique menu compared to the others
- . Being able to open at weekend midnight
- . Most of customers favor Timin Grilli opening restaurant chain

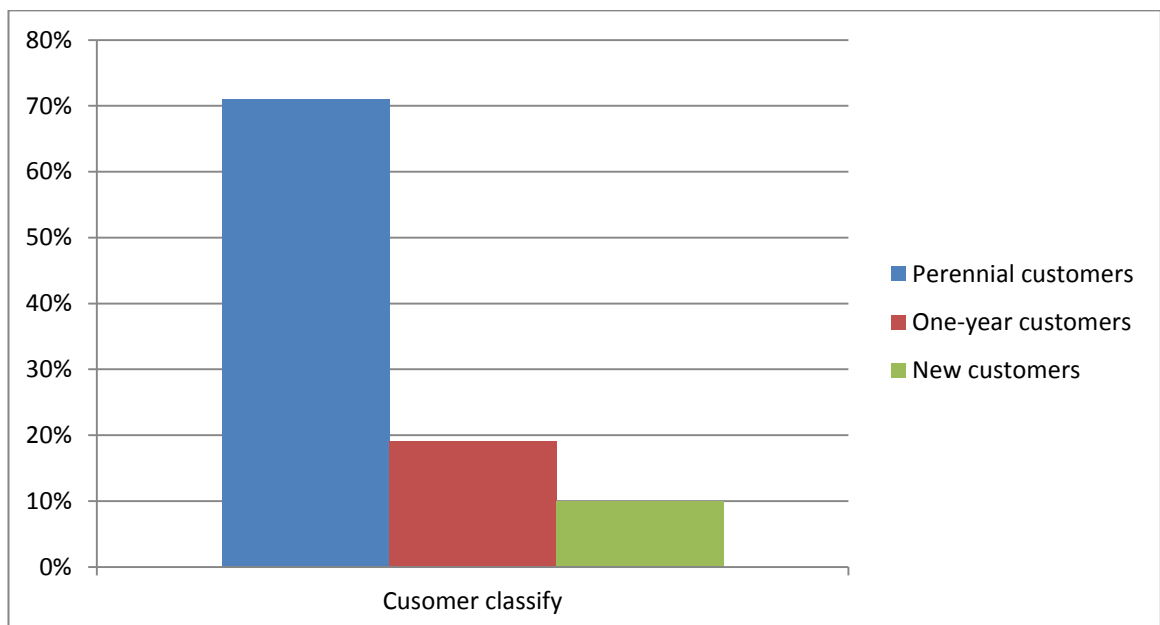
2. Are your current employees well-trained?

Answer:

Well-trained	Normal	Weak
5	2	1

3. Do you have many perennial customers?

Answer:



4. How many percent of customers are potential ones?

Answer: 10% of customers are potential or new ones.

5. Does Timin Grilli have good recognition?

Answer: Timin Grilli's brand is well-known in Kokkola and some nearby areas.

6. What is your most significant strength?

Answer: good dishes.

7. What weak spot do the customers think that Timin Grill should improve?

Answer: unprofessional management, lack of long-term employees, lack of initial investment, no experience in restaurant management skills, no experience in professional financial management, have no native employees (some employees cannot speak neither Finnish nor Swedish), brand is not well-known enough for selling franchise.

8. Could you make a comparison between Timin Grilli with other restaurant in town?

Answer: Timin Grilli has better reputation and there are more loyal customers than the others. Products are also unique. Other restaurants serve more common dishes.

9. What factors does Timin Grilli lack?

Answer: Timin Grilli lacks professional management, fund, and main restaurant.

10. Are there any difficulties for expansion?

Answer: There are many difficulties, but the most significant one is fund raising.

11. What factors should be improved to switch from trailer business to restaurant business?

Answer: professional management skills, financial issue, paperwork skills, initial investment, hygiene, location, marketing research, completed business plan and planned strategy.

12. What opportunities is Timin Grilli going to seize?

Answer: there are no chains of restaurant serving Vietnamese-Chinese cuisine in Finland, fast-food market is getting saturated and Asian cuisine is always attractive to Finnish people.

13. Are you a pioneer in this market?

Answer: The first business operating under form of franchise in Finland.

14. Is market potential enough?

Answer: This market will have been attractive for at least more than 20 years.

15. What makes Timin Grilli unique?

Answer: unique products and services, fast service, friendly service.



16. Is it a right time for transformation?

Answer: It is the right time.

17. What kinds of threats will Timin Grilli face in the future?

Answer: Lacks of raw-material supplier, many competitors are penetrating the market, Asian food may be not suitable for fast-serving, too high raw-material expenditure, food preparation requires too long process, and profit margin may be low.

18. Are suppliers able to meet demand stably in long run?

Answer: there is no certainty.

19. Is the market large enough for participants?

Answer: Kokkola is too small market; the business needs to expand to other regions.

20. Is it possible to combine Asian cuisine and fast-food service?

Answer: there are not many restaurants in the world applying this form; Timin Grilli will be one of the pioneers.

21. Is it a barrier as Finland is not an ideal country for Asian raw-material?

Answer: Finland as well as Nordic countries are not ideal market.

22. Asian food needs longer time to be cooked than Western food, is it a big challenge?

Answer: Yes, it is. There will be some stage need to be removed so that the process is shorter.

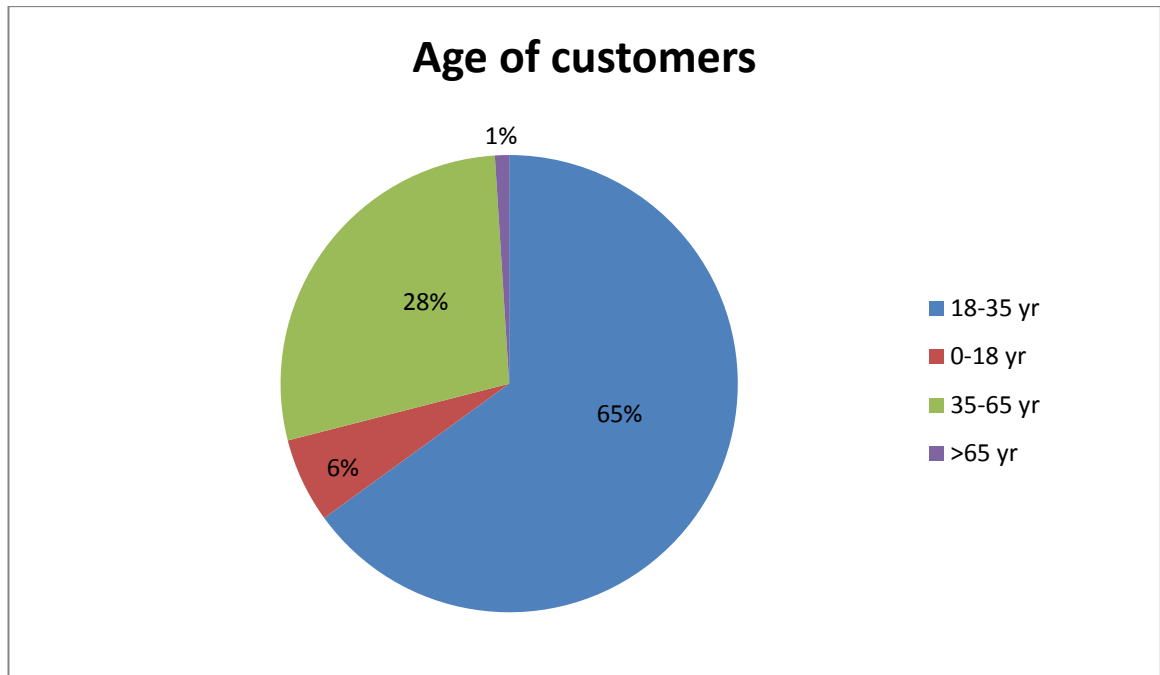
23. Is this business profitable with large-scale operation?

Answer: It is a potential risk because of occasional fee and other arising costs.

- **Marketing and sales**

1. What is your target group?

Answer: Customers, whose ages are from 18-35 years, are Timin Grilli's target group.



2. How does the serving format of the target group look like?

Answer: customers in target group prefer spring rolls and some beef, pork dishes most. These dishes are much spicy and their portions are usually bigger than the others. They also tend to takeaway instead of eat-in, whereas older customers prefer to eat-in.

3. How will you get used to new business aspect?

Answer: experts give hands in preparation for approaching new business. They are able to conduct efficient research professionally.

4. In which style are you going to furnish and arrange your interior?

Answer: the theme of Timin Grilli is Asian cuisine; therefore, its decor must demonstrate Asian culture. There are two iconic colors of Timin Grilli's brand – red and white. Interior and furniture are required to be modern also.

5. How does the uniform look like?

Answer: Uniform will be red-white t-shirt as same as interior's colors.

6. Describe your short-term and long-term plans for Timin Grilli.

Answer:

Short-term: establishing new restaurant and get attention of perennial customers.

Long-term: getting attention of potential franchisees and preparing for business expansion.

7. What are external factors your business depends on?

Answer: there are many external factors affecting the business; therein, supplier, expenditure affect directly price and product. Economic situation and market influences on sales.

- **Marketing Mix**

### **Product and Service Assortment**

1. List the products you offer.

Answer: mainstream products includes spring roll, chicken balls, chicken curry portion, beef stir-fry portion, pan-fried chicken and pork cooked with variety of vegetables such as carrot, broccoli, pineapple, onion, beans, tofu, celery, etc. Dishes are eaten with rice, fried rice or noodle. Two dishes and spring roll for vegetarians. Drinks include soft drinks, milk, fruit juice, tea, coffee.

2. List the services.

Answer: eat-in, takeaway, home deliver.

3. Do you serve mutual or different menus for each time of day?

Answer: mutual menu

4. How many types of dishes do you serve each day?

Answer: 20 types of dishes

5. How do you decide which type of dishes to provide?

Answer: based on customers' feedback and sale report

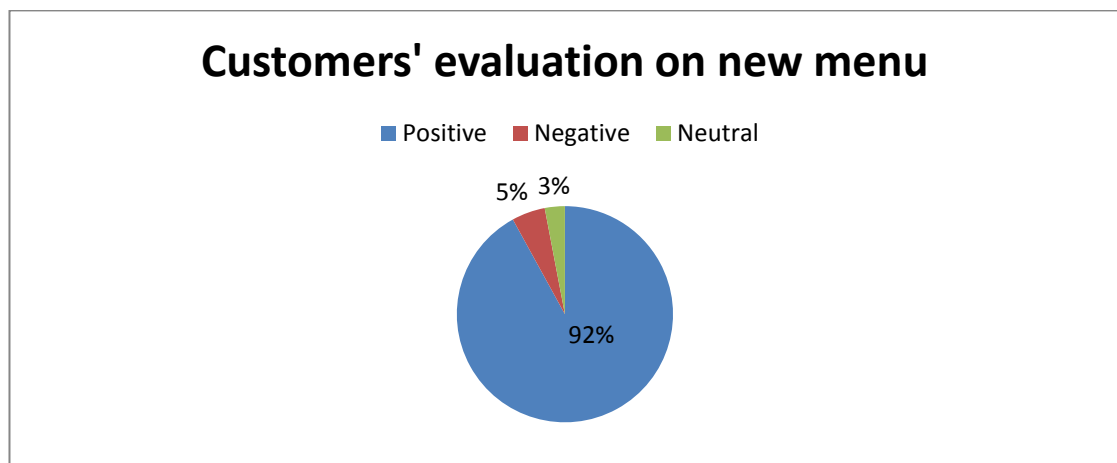
6. Do you have any extra-dishes for specific times, occasions such as weekend midnights or festivals?

Answer: there are no extra-dishes.

7. How many percent of customers are satisfied with new menu? How many percent of them are unsatisfied?

Answer:

92% of customers think that the menu is attractive, 5% of them are not satisfied, and 3% are neutral.



## Price

1. By which method do you set your price?

Answer: set price based on internal and external factors.

2. What kinds of factors determine the price?

Answer: food costs, other costs, market changes, customer base and competition.

3. At that level of price, how many percent is the profit margin?

Answer: 25-75% depending on each product.

4. Is this price competitive comparing to your competitors?

Answer: they are equivalent and competitive.

5. How different are these products' prices?

Answer: same prices for same products.

6. Is this level of price reasonable for your target customers?

Answer: it is reasonable according to research.

## Promotion

1. List all tools you use to promote your business.

Answer: Discount program, launching restaurant's website, leaflet distribution, Happy hour program, approaching nearby companies.

2. Describe briefly each tool.

Answer:

. Discount program: provide a discount of 20% for every order in first week. If the value of the order is more than 15 euros, customers will be given two extra-spring rolls or salads.

. Launching restaurant's website: hire a web-developing company to launch a restaurant's website, which contains full information (menu, price, opening time, address, discount offers, the information of franchising) and instruction. Facebook and Instagram page of Timin Grilli will be established.

. Leaflet distribution: leaflets contain information about Timin Grilli as well as menu of the restaurant and discount offers and they are delivered at suitable locations.

Happy hour program: discount of 25% off for every kind of food except for spring roll and chicken balls. Drinks' prices are reduced by a half, whereas tea and coffee are free. There is a discount of 35% for any order with value of more than fifty euros.

. Approaching nearby companies: company co-operates with nearby companies to supply their employees with restaurant's meals.

**Place**

1. What are demographic factors taken into account?

Answer: total number of population, age, gender, ethnicity, employment status, household size, life cycle stage, education level, housing characteristics, psychographic/lifestyle segmentation, income/total wealth, population density, population trends (growing, static, shrinking and changing).

2. What are criteria of area characteristics?

Answer: close to the busiest bars or clubs in the city, have a certain number of passers every day, include or being close to a parking lot.

3. What is biggest challenge?

Answer: expensive rental fee.

- **Competitor Analysis**

1. How many competitors do you have to compete against? Who are they?

Answer: There are three groups of competitor: popular brands, local restaurants, direct competitors.

2. Do you have any plan to deal with the competition? Are they variety enough?

Answer: there is a specific competitive strategy used to deal with each group.

3. Who are direct and potential competitors?

Answer: McDonalds, Subway, Hesburger and other smaller local restaurants.

- **Training**

1. What types of training programs should be applied?

Answer: operations manual, headquarters training, onsite training, ongoing training.

2. How much does it cost for training per person?

Answer: €7,000 - €15,000 for a franchisee, €1,000 for a staff.

- **Other franchise-related activities**

1. How much is royalty fee?

Answer: royalty fee of 7% of gross sales in term of 10 years.

2. How many types of leasing agreements? What are they?

Answer: two types of leasing agreements: direct franchise agreement, franchisees-landlord agreement.

3. How many percent of gross sales does advertising fee account for?

Answer: a monthly advertising levy of 4% of gross sales.

4. What is the concept of franchise chain?

Answer: an exclusive franchisor and an owner-operator for each unit.

5. Describe protected exclusive territory regulation of Timin Grilli.

Answer: 1.5 kilometer radius of the approved location. If restaurant is located in a highly populated urban, the territory will be reduced to a radius of  $\frac{1}{2}$  kilometer or even of  $\frac{1}{4}$  kilometer.

**Questionnaire to employees**

## 1. Employees' job satisfaction

Wage and salary		
Satisfied	Neutral	Unsatisfied
6	2	0

Welfare		
Satisfied	Neutral	Unsatisfied
7	1	0

Task and position		
Satisfied	Neutral	Unsatisfied
6	0	2

Working environment		
Satisfied	Neutral	Unsatisfied
8	0	0

Day off		
Satisfied	Neutral	Unsatisfied
7	0	1

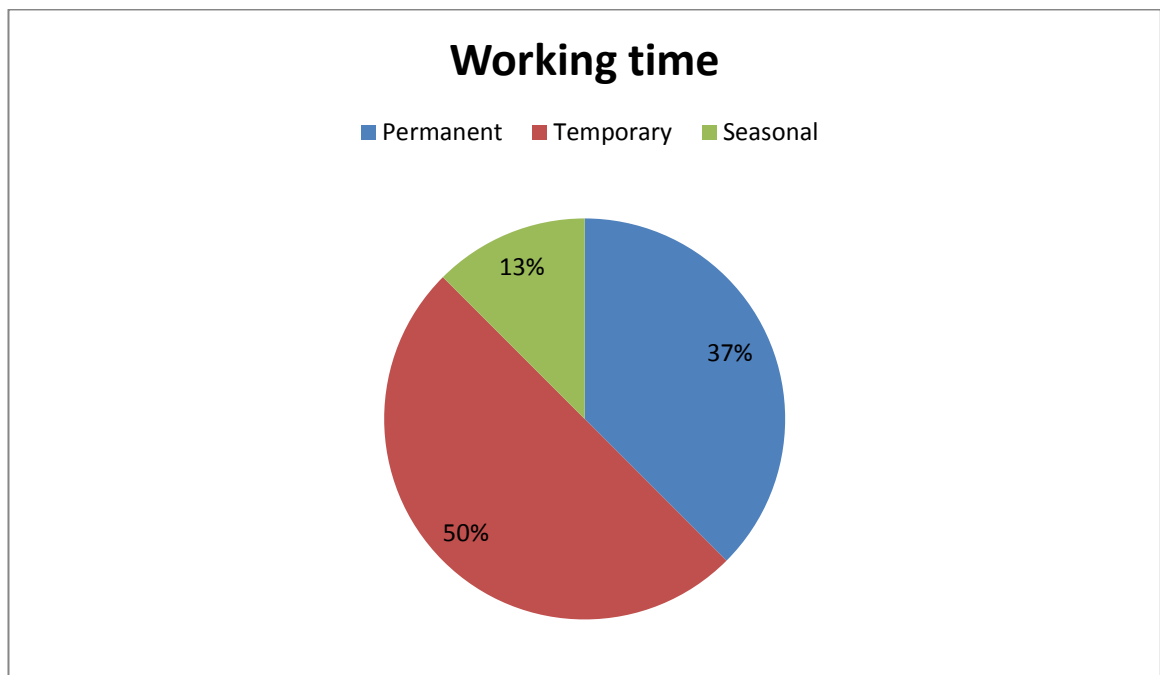
Stress at work		
Positive	Neutral	Negative
5	1	2

Workplace relationship		
Positive	Neutral	Negative
8	0	0

## 2. Appraising Timin Grilli's quality

	Products	Services	Price	Location	HRM	General management	Individual's average point
<b>Chef 1</b>	9.5	7	8.5	9	6.5	7	7.9
<b>Chef 2</b>	8	7.5	7	8	6	6.5	7.1
<b>Accountant</b>	8.5	7.5	7	8.5	7	8	7.75
<b>Staff 1</b>	6	8	9	9	5	8	7.5
<b>Staff 2</b>	7	9	9	7	7	7.5	7.75
<b>Staff 3</b>	7.5	9.5	7.5	8	6	7	7.58
<b>Staff 4</b>	8	8	8	7	7.5	6.5	7.5
<b>Staff 5</b>	8	9	7.5	7.5	8	7.5	7.9
<b>Average elements' points</b>	7.81	8.2	7.93	8	6.63	7.25	7.62

## 3. How long will you work at Timin Grilli?



## 4. How many of you think that Timin Grilli would be successful as operating under form of franchise restaurant?

Successful	Normal	Unsuccessful
6	1	1